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ABSTRACT

Part of a series of classroom aids designed for real estate instructors, this instructional packet was developed to help real estate students understand the characteristics of Texas homebuyers. First, a summary profile of homebuyers is presented, indicating that: (1) the typical 1984 Texas homebuyer was married, was between 25 and 34 years old, and had a median family income of $43,500, more than double the median family income for Texans in general; (2) homebuyers had previously owned a home and were likely to purchase their new, larger residence in the same county or metropolitan area as their previous home; (3) their main reason for moving related to tax and investment advantages; (4) most spent three months or less looking for their new home and seriously considered less than five homes before deciding; (5) their choice was typically a three bedroom, two bath single-family home with 1,638 square feet; (6) the most important factors influencing choice were purchase price, layout and design, financial terms, and the neighborhood; and (7) the median price was $74,762 and the average mortgage payment was $782 per month. Next, information on the methods and findings of the 1984 Texas Homebuyers Survey is presented for the instructors, highlighting methodological features and research findings covered in 22 accompanying overhead masters. Finally, an evaluation form for the module is presented. (AYC)

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TEACHERS INSTRUCTIONAL PACKET
TIP-2A, Spring 1987

A PROFILE OF 1984 HOMEBUYERS

Real Estate Center
Texas A&M University
College Station, Texas 77843-2115

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TIPS on the TIP

This Teacher Instructional Packet (TIP) is designed to provide the real estate instructor with a classroom supplement. Packets have been reviewed carefully, but there is always room for improvement. Suggestions to improve the usefulness of the TIP are welcomed.

Introduction to the TIP-2A

TIP-2A has been developed to provide students with information on the characteristics of Texas homebuyers. This material is provided as a **supplement** to existing course content. It is not a "pat" presentation. The instructor may use as much or as little as needed.

NOTE: Copies of Real Estate Center technical report, A Profile of 1984 Homebuyers, are available to Texas real estate instructors. Request publication number 516. Instructors have permission to reproduce this report in full or in part providing no changes are made in the content.

SUMMARY

The typical 1984 Texas homebuyer was married, between 25 and 34 years old and slightly more than half had children under 18 living at home. Their median family income was over $43,500, more than double the median family income for Texans in general.

They had previously owned a home and will probably purchase their new, larger residence in the same county or metropolitan area as their old house. The main reason for moving and purchasing another home was tax and investment advantages followed by concern about future housing prices and a desire for a larger home.

Most spent three months or less looking for their new home and seriously considered four homes or less before deciding. Their choice was typically a three bedroom, two bath single-family home with 1,638 square feet. The most important factors helping to determine which house they chose was the initial purchase price, the layout and design, financial terms and the neighborhood.

The median price for homes they purchased was $74,762 and their downpayment averaged 10 percent, usually from personal savings or equity in their old house.

Their mortgage payment was about $780 per month, including principal, interest, taxes and insurance. The loan was either fixed-rate or adjustable rate with a few assuming an existing loan. The loan was obtained from a mortgage company in most cases or a savings-and-loan association.

Sixty percent of the homebuyers used the services of an agent or broker, 20 percent purchased directly from the previous owner and 16 percent purchased their home from the builder.

SECTION I

INTRODUCTION

Why do Texans move, purchase new homes and choose certain homes to buy? These questions were asked in the 1984 Texas Homebuyers Survey conducted by the Real Estate Center in cooperation with Stewart Title Guaranty Company. The survey was conducted to provide a description of Texas homebuyers, including reasons for moving and purchasing a new home, the characteristics of the home purchased, and financial arrangements.

A second goal was to examine the relationship between the homebuyers' socio-demographic characteristics and home-buying behavior. The effects of six socio-demographic characteristics were assessed, including family income, previous home ownership, homebuyers' ages, homebuyers' marital status, number of children in the home and moving patterns.

Method of Investigation

A survey was used to collect data. Texas was divided into 12 regions as shown in Figure 1. The homebuyer's names were drawn from Stewart Title Guaranty Company branch office or an independent agent's address files in one randomly selected metropolitan and one randomly selected non-metropolitan county in 12 different regions. The sample size from each county was proportionate to the percent of the total state population living in that region.

Visual #1
State Regions
Used for Sample

The sample consisted of 974 homebuyers who were sent a questionnaire early in 1985. Appendix B contains a copy of the questionnaire, and Appendix C shows the percentage distribution of the responses. Of the total sample, 79

persons could not be reached. Of the remaining 895 persons, 471 returned usable questionnaires for a response rate of 53 percent. The extent to which the sample reflected all 1984 Texas homebuyer is unknown.

SECTION II

CHARACTERISTICS OF TEXAS HOMEBUYERS

Family Income

The 1984 homebuyers had higher family incomes than the general populace. Their median family income was $43,537, or more than double the median family income for the Texas general public ($19,618 according to the 1980 census). Although lower interest rates and improved market conditions prevailed in 1984 many families with average or below average incomes were excluded from the home-buying market.

Family incomes greater than $50,000 characterized 38 percent of the homebuyers compared to 6 percent of the general public. Twenty-two percent had incomes less than $30,000, 22 percent between $30,000 and $39,999 and 18 percent between $40,000 and $49,999.

Visual #2
Income Distribution

Prior Home Ownership

Of the 1984 homebuyers, 63 percent were previous homeowners, compared to 60 percent in 1983, and 65 percent of in 1982.

Age

The survey placed 48 percent of the homebuyers between 25 and 34 years old, the prime ages for purchasing a home. Of the remainder, 28 percent were between 35 and 49, 7 percent younger than 25 and 17 percent 50 or older.

Visual #3
Age Distrubution

Marital Status

Of the responding homebuyers, 79 percent were married, 12 percent were widowed or divorced and 9 percent had never been married.

Visual #4
Marital Status

Number of Children

Forty-five percent of the respondents reported no children under the age of 18 residing in their home. This reflects a steady decline with 49 percent in 1983 and 55 percent in 1982. This may have indicated that many of the baby boom generation were starting families.

Visual #5
Number of Children

Mobility Status

Those purchasing a home within the same county or metropolitan area as their previous residence were classified as local movers, while those moving from more distant locations were classified as non-local movers. The majority (70 percent) of the 1984 homebuyers were local movers.

SECTION III

REASONS FOR MOVING AND SELECTING THE HOME THAT WAS PURCHASED

Why the family decided to move and purchase a home, and why they chose a specific home was also investigated. Homebuyers were given a list of eight potential reasons for moving and asked to indicate if a particular reason was very important, somewhat important or not important and to list the single most important reason in their decision to move.

The homebuyers were asked to rank the relative importance of 14 factors in

selecting a home and to rank the most important three factors. The significance of the relationship among homebuyer characteristics and other factors was determined by the chi-square test.

Reasons for Moving

Visual 6 presents eight possible reasons for moving along with the proportion of homebuyers stating that each reason was very important, somewhat important or not important in their decision to move. The eight reasons included a change of employer, a job transfer, dissatisfaction with the previous neighborhood, the desire for a larger home, the desire for a smaller home, the cost of housing, the tax and investment advantages of home ownership and the formation of a new household.

Visual #6
Reasons for Moving

A Change of Employers

For 75 percent of Texas homebuyers, a change of employers was not an important reason for moving. Nineteen percent rated this reason as very important, while the remaining 6 percent said it was somewhat important.

Job Transfer

Only 22 percent of the homebuyers listed job transfer as an important factor in the decision to move. Of these, 18 percent listed it as very important, while 4 percent said it was somewhat important. Three of the homebuyers' characteristics were significantly related to job transfer. A higher proportion of the non-local movers considered job transfer very or somewhat important to their decision to move. Family income and prior home ownership were both related to the importance placed on a job transfer. Homebuyers with incomes

greater than $40,000 were more likely to move and purchase a new home because of a job transfer. Previous homeowners were more likely than first-time buyers to move because of a transfer.

Not Satisfied with Previous Neighborhood

The desire to live in a different neighborhood typically plays an important role in the decision to move for a sizable segment of Texas homebuyers. Visual 6 shows that 21 percent listed this reason as very important, and an additional 19 percent rated it somewhat important.

The desire to live in a different neighborhood was more important to some segments of the homebuying population than to others. Nearly half of the local movers stated that dissatisfaction with their previous neighborhood was an important reason for moving. Only 21 percent of the non-local movers considered this reason important. Mobility status consistently has been related to the importance given to satisfaction with the previous neighborhood. The results indicate that many non-local moves result from economic or employment reasons, while local moves are predominantly a result of efforts to improve housing situations and get into a more desirable neighborhood.

Households with three or more children also gave this reason more importance than households with fewer children.

Wanted a Larger Home

Texas homebuyers considered the desire for a larger home to be a very or somewhat important reason in their decision to move. Forty-two percent of the homebuyers said that this reason was very important and an additional 16 percent said it was somewhat important.

Five of the six homebuyer characteristics were significantly related to the desire for a larger home in the decision to move. Often, first-time buyers had been living in rented housing, which typically is small. The desire for more room might have been a major factor influencing them to move.

Married homebuyers and those with more children more likely to want a larger home. The desire for a larger home was greater for local than non-local movers.

Wanted a Smaller Home

A few homebuyers said that the desire for a smaller home was very or somewhat important in deciding to move. Six percent of the homebuyers said this reason was very important, while 4 percent rated it somewhat important.

Two of the homebuyer characteristics were significantly related to wanting to purchase a smaller home. Older homebuyers and families with one or no children in the home were most likely to list this as important. Persons beyond age 50 were often entering the "empty-nest" stage of their life-cycle.

Concerned about Higher Prices

High and unstable home prices and interest rates had prompted many potential homebuyers to purchase a home before they were priced out of the market or out of the home of their choice. Of the 1984 Texas homebuyers surveyed, 67 percent stated that a concern with higher prices was an important factor in their decision to move and purchase a home. Thirty-eight percent said that this concern was very important, and 29 percent said that it was somewhat important.

The number of children was the only homebuyer characteristic not significantly related to a concern with higher prices. Families with lower incomes and first-time buyers are more vulnerable to price increases. Because younger homebuyers placed a greater importance on the concern with higher prices, they are most likely to have lower incomes and to be first-time buyers.

More unmarried homebuyers (78 percent) considered higher prices to be an important motive more often than married homebuyers. A high percent of local movers (79 percent) stated that a concern with higher prices was a very or somewhat important reason their decision to move, compared to 50 percent of non-local movers. Non-employment reasons continue to be most important to local movers.

Tax and Investment Advantages

The tax and investment advantages of homeownership were important to more 1984 homebuyers than any other reason for moving. More than half (54 percent) said this reason was very important, while 16 percent said it was somewhat important. Federal and state governments have encouraged home ownership for many years by offering a variety of tax breaks and other incentives not available to renters. Homebuyers seem to be well aware of these advantages.

Family income was the only variable not significantly related to the importance of tax and investment advantages. First-time buyers placed more importance on the tax and investment advantages of homeownership than previous homeowners (86 to 60 percent). Older homebuyers place less importance on this reason than younger homebuyers. Unmarried homebuyers were more concerned than married homebuyers and local movers more than non-local

movers. Families with no children at home were more concerned about tax and investment advantages than other classes.

New Household Formed

Each time a new household forms through marriage, divorce or some other event, appropriate housing must be obtained. Visual 6 shows this factor was either very or somewhat important to 33 percent of the 1984 Texas homebuyers.

The Most Important Reason For Moving

For the first time, homebuyers in 1984 were asked to list the one reason that had the greatest influence on the decision to move.

Data in Table 1 show that no single reason was considered most important by a majority of the homebuyers. The reason listed most often was the tax and investment advantages of homeownership, mentioned by 22.1 percent of the homebuyers. The desire for a larger home was the major factor influencing 19.3 percent of the homebuyers. Other reasons cited often included a job transfer (17.5 percent) and a change of employers (13.4 percent).

Visual #7
Most Important
Reason for Moving

A large number (38 percent) stated that concern about higher prices was a very important factor, but only a small number (7.5 percent) said it was the most important reason. On the other hand, most of the respondents noting that a job transfer was very important said that it was the most important reason. The results were similar for a change of employers. Most people are concerned about higher prices in housing and also would like to receive the tax and investment advantages of homeownership, but generally the primary motive for moving was something else.

Table 1. The Most Important Reason in the Decision to Move

Reason	Percent
Tax and Investment Advantages	22.1
Wanted a Larger Home	19.3
Job Transfer	17.5
A Change of Employers	13.4
New Household Formed	10.2
Not Satisfied with Previous Neighborhood	7.9
Concerned about Higher Prices	7.5
Wanted a Smaller Home	2.1

Source: Real Estate Center 1984 Texas Homebuyer Survey

Important Factors in Home Selection

Potential homebuyers can select from a wide range of homes available. Choices include design, size, number of bedrooms, quality of building materials, energy efficiency, lot, neighborhood, initial purchase price, financial terms, quality of local schools and convenience to shopping, employment, schools, churches and social functions. In the 1984 questionnaire homebuyers were asked whether each factor was very important, somewhat important or not important in selecting a home to purchase. The frequency distribution for this question is shown in Visual 7.

Layout and Design

Seventy-six percent homebuyers stated that the home's layout and design was a very important factor. Nearly

Visual #8
Important Factors in Home Selection

all of the remaining homebuyers said it was somewhat important with only 1 percent reporting this factor was not important.

Four of the homebuyer characteristics were significantly related to the importance placed on layout and design. Families with greater household incomes and previous homeowners were more concerned with the layout and design than those with lower incomes and first-time buyers.

The proportion of homebuyers stating the layout and design was very important in their selection increased with age. Finally, married homebuyers were more likely to be concerned about the layout and design than unmarried homebuyers.

House Size

A little more than half of the 1984 Texas homebuyers said size was very important to them in choosing a home. An additional 42 percent said size was somewhat important, and the final 1 percent rate it as not important.

Marital status and the number of children were related to the importance of the size of the house. Married homebuyers were more likely than unmarried homebuyers (60 to 49 percent) to consider the house size important. As the number of children in the home increased, the likelihood of home size being considered very important increased.

Number of Bedrooms

Visual 7 shows that 64 percent of the homebuyers considered the number of bedrooms was very important. An additional 33 percent said it was somewhat important, and 3 percent said it was not important.

Four variables including age, marital status, number of children and mobility status were significantly related to the importance given to the number of bedrooms. Probably because of children at home, persons between the ages of 25 and 49 were more concerned about the number of bedrooms than older or younger respondents. Married persons were more likely than unmarried persons (68 to 45 percent) to be concerned about the number of bedrooms, and this concern increased as the number of children in the home increased. Finally, non-local movers were more concerned about bedroom number than local movers (73 to 60 percent).

Building Material Quality

Nearly all Texas homebuyers considered building material quality to be very or somewhat important. Visual 7 shows that 76 percent said this factor was very important, and 23 percent said it was somewhat important. Only 1 percent stated it was not important.

Energy Efficiency

Nearly all Texas homebuyers considered energy efficiency to be an important factor in choosing a home. Visual 7 indicates that 64 percent considered energy efficiency very important. Thirty-three percent said it was somewhat important and 3 percent not important.

The Lot

The lot was a very important factor for 46 percent of the homebuyers. For 47 percent it was somewhat important, and 7 percent noted it was not important. None of the homebuyer characteristics were significantly related to the importance given to the lot.

Initial Purchase Price

The initial purchase price is an important consideration for most homebuyers. Seventy-seven percent stated it was very important, 20 percent said somewhat important, and the remaining 3 percent reported it was not important in deciding which home to purchase.

One-half of the homebuyer characteristics were significantly related to the initial purchase price. Homebuyers with lower incomes and first-time buyers were more likely than those with higher incomes and previous homeowners to list the initial purchase price of the home as a very important factor. The greater financial resources of higher income families and previous homeowners allowed them some freedom from this concern. The importance given to the initial purchase price decreased as homebuyer age increased.

Financial Terms of the Purchase

Most homebuyers considered the financial terms of the purchase to be a very important factor in determinating which home to purchase. As shown in Visual 7, 78 percent said it was very important, 17 percent somewhat important and 5 percent not important.

Family income, prior homeownership and age were homebuyer characteristics significantly related to the importance given to financial terms. These three variables were also similarly related to the initial purchase price.

Surrounding Neighborhood

The neighborhood was ranked as very important by more homebuyers (81 percent) than any other factor. Nearly all other respondents said the neighborhood was somewhat important.

Only 1 percent considered it not important.

Quality of the Local Schools

The data in Visual 7 show that 44 percent of the 1984 Texas homebuyers considered the quality of the local schools a very important factor. Thirty percent of the homebuyers rated it somewhat important, and the remaining 26 percent not important.

Convenience to Shopping

Survey results indicated that 1984 homebuyers were less concerned about convenience than about the other factors. Visual 7 shows that 26 percent of the respondents said the convenience of their home to shopping was very important. An additional 53 percent said shopping convenience was somewhat important, and the remaining 21 percent rated it not important.

The number of children in the home was the only characteristic significantly related to the importance given convenience to shopping. Persons with three or more children were less likely than other homebuyers to consider convenience to shopping as very important.

Convenience to Employment

About one-third of the respondents reported convenience to employment was a very important consideration in selecting a home to purchase. Forty-four percent said convenience to employment was somewhat important, while the remaining 22 percent said it was not important.

Convenience to Schools

Twenty-eight percent of the 1984 homebuyers said convenience to schools was a very important factor. A majority of the remaining homebuyers said school proximity was somewhat important, but nearly one-third said it was not important. The proportion of the homebuyers concerned with convenience to schools was down slightly from 1983.

Four of the six homebuyer characteristics were significantly related to the importance given to convenience to schools. Ten percent of the homebuyers without children said convenience to schools was a very important consideration, compared to 38 to 46 percent of the homebuyers with children at home. Homebuyers with incomes greater than $50,000 were less likely than other to consider convenience to schools as important.

Convenience to Church and Social Functions

Convenience to church and social functions was least often selected as a very important factor and most often selected as not important. As shown in Visual 7, only 17 percent of the homebuyers said convenience to church and social functions was a very important consideration. Nearly half said it was somewhat important, and for 34 percent it was not important. None of the homebuyer characteristics were significantly related to this factor.

It appears that many homebuyers first looked at their ability to afford a home as determined by the initial purchase price and financial terms. Almost as important were the layout and design and the neighborhood. Initially the stock of available homes was large, but this number was reduced by eliminating those that are unaffordable and/or those where layout and design or location were not satisfactory. Of the

remaining homes available, other factors such as energy efficiency, building material quality, size and the number of bedrooms then came into play.

SECTION IV

CHARACTERISTICS OF THE HOME PURCHASED

Two of the most important questions to residential real estate professionals are which homes are being purchased by which people. The relationship between home characteristics and homebuyers' characteristics was studied in the 1984 survey.

Type of Home Purchased

Homebuyers responding to the survey had purchased a detached single-family home 89 percent of the time. An additional 5 percent had purchased a town house or condominium, while the remaining 6 percent had purchased some other type such as a duplex, two-to-four family apartment, or manufactured home. A comparison with past homebuyer surveys points to a gradual but steady increase in the proportion of homebuyers purchasing a single-family home, and a corresponding decrease in town house and condominium purchases. In 1982, 81 percent purchased single-family homes, increasing to 86 percent in 1983. In comparison, purchase of town houses or condominiums declined from 13 percent in 1982 to 11 percent in 1983.

Visual #9
Type of Home Purchased

Five homebuyer characteristics were significantly related to the home type purchased; prior home ownership was the lone exception. Married homebuyers and families with children were most likely to buy single-family dwellings. The unmarried and those without children were the most likely to buy town houses or condominiums. A larger family increases the likelihood of purchasing a

single-family home, and families with children may be interested in obtaining the lot that accompanies a single-family home.

Home Size

Two questions in the survey assessed the size of the homes purchased. The first compared to the new home to the previous residence and the second asked the actual size of the new home in square feet. Survey results show that for 69 percent the newly purchased home was larger than the previous residence. An additional 23 percent said that their new home was smaller, and 8 percent said their new home and their previous residence were about the same size.

Visual #10
Comparison of Home Size

Four of the six homebuyer characteristics were significantly related to the previous home comparison. Marital status and number of children were not related. As age increased, the likelihood of buying a smaller home also increased.

First-time buyers were more likely to purchase a larger home as many first-time buyers are moving from an apartment or other of rental housing. Similarly, local movers, many of whom are first-time buyers, are more likely than non-local movers to buy a larger home. Persons with lower incomes are less likely than persons with higher incomes to purchase larger homes.

The homes purchased ranged from a few hundred square feet to several thousand square feet, with the median at 1,638 square feet. This was slightly larger than the 1,600 square foot median of both 1982 and 1983.

The likelihood of purchasing a small home decreases until ages 35-49 and then increases. Initially, as homebuyers grow older, both their need

for a larger home and their ability to purchase such a home increase. However, beyond age 50, some homebuyers purchase a smaller home as they enter the "empty nest" stage of their life cycle. Married homebuyers and non-local movers were more likely to purchase large homes.

Number of Bedrooms

A majority (63 percent) of the homes purchased by 1984 Texas homebuyers had three bedrooms (Figure 10). Nineteen percent purchased homes with four or more bedrooms 18 percent with one or two.

Visual #11
Number of Bedrooms

All six homebuyer characteristics are significantly related to the number of bedrooms. Only 3 percent with family incomes of $30,000 or less purchased a home with four or more bedrooms. However, this number increased to 27 percent for homebuyers with family incomes of $50,000 or greater. Previous homeowners were much more likely than first-time buyers (24 to 8 percent) to purchase a home with four or more bedrooms.

There is a curvilinear relationship between the homebuyer's age and the number of bedrooms in the homes purchased. Homebuyers less than 25 were the most likely to purchase a home with only one or two bedrooms. As age increases, the likelihood of purchasing a home with more bedrooms increases. Homebuyers who were 50 years old or older were the least likely to purchase a home with four or more bedrooms and were much more likely than homebuyers between 25 and 49 to purchase a home with only one or two bedrooms.

The more persons in the home (from either being married or having more children) was translated into buying homes with more bedrooms. Finally, non-local movers were more likely than local

movers (30 to 13 percent) to purchase homes with four or more bedrooms.

Number of Bathrooms

The survey results in Visual 11 show that 60 percent of the homebuyers purchased a home with two bathrooms, slightly higher than the 54 percent in 1982 and 1983. Of the remaining homebuyers, 22 percent bought homes with one or one and one-half bathrooms and 18 percent with two and one-half or more bathrooms.

Visual #12
Number of Bathrooms

Five of the six homebuyer characteristics were significantly related to the number of bathrooms in the homes purchased. The relationships were similar to those between the number of bedrooms.

Ages of the Homes Purchased

Thirty-five percent of the homes purchased were newly built and had never been occupied. This is down slightly from 43 percent in 1982 and 45 percent in 1983. The remaining 65 percent had been previously occupied. Of these, 17 percent were five or fewer years old, 30 percent were six to 20 years old, and 18 percent were 21 or more years old.

Visual #13
Age of Homes

One-half of the homebuyer characteristics are significantly related to the ages of the homes purchased. As age increases, the likelihood of purchasing a home more than 21 years old decreases. Also, unmarried homebuyers were more likely than married homebuyers to purchase an older home, as were local movers were more likely than non-local movers to purchase an older home.

SECTION V

FINANCIAL ARRANGEMENTS

In recent years, the home-buying market has been influenced by high, unstable interest rates and tight credit. As a result, a number of new financing methods have been developed as alternatives to the conventional, fixed-rate mortgages (Harris, 1984). In the surveys of both 1982 and 1983 Texas homebuyers, only a minority were using conventional mortgages. However, it is important that trends in the use of these alternative mortgage instruments be monitored.

Survey questions asked about the cost of the newly purchased homes, the percent paid down and the source of the down payment, the monthly mortgage payment, the percent of the family's income used for the house payment, the source of the mortgage loan, the method of purchase, the time spent looking for a home and the number of homes seriously examined. To determine which approaches are most popular with particular segments of the home-buying population, the financial arrangements used were correlated with the homebuyer's characteristics.

The Cost of the Homes Purchased

Homebuyers were asked to check one of 10 categories to indicate the cost of the new home. These categories ranged from less than $40,000 to more than $200,000. Several respondents checked each category, indicating substantial diversity in homes costs. The median home cost of $74,762 is slightly higher than in previous years. Nearly two-thirds of the homes purchased cost between $50,000 and $100,000, with a nearly equal number both above and below this price range.

Visual #14
Cost of Home

Five of the homebuyer characteristics are significantly related to the home's cost. The number of children is the only variable not related to the purchase price. The homebuyer characteristic with the strongest relationship to home cost was family income. As family income increases, the price paid for a new home increases. The median price paid by homebuyers with family incomes less than $30,000 was $53,200. This median value increased to $62,727 for incomes between $30,000 and $39,999, to $81,818 for homebuyers with incomes between $40,000 and $49,999 and to $97,647 for incomes $50,000 or greater.

Previous homeowners paid more for homes than first-time buyers ($83,721 to $61,892), married buyers paid more than unmarried ($77,593 to $60,714) and non-local movers paid more than local movers ($86,000 to $70,400). Finally, as age increased, the price paid also increased.

Down Payment

Down payments made by Texas homebuyers ranged from nothing to those who paid for the entire cost of their home in one payment. Thirty-nine percent of the homebuyers paid 5 percent or less down on their newly purchased home. This is down slightly from 44 percent in 1983. Also, 19 percent paid between 6 and 10 percent down, 20 percent paid between 11 and 20 percent down and 22 percent paid 21 percent or more down. The median homebuyer paid 10 percent down.

Visual #15
Down Payment

Only prior homeownership and age were significantly related to the percent paid down. The amount paid down increases as the homebuyer's age increases. In fact, homebuyers 50 years or older paid an average of 30 percent down.

Personal savings were the source of the downpayment for 48 percent of the homebuyers, equity from the sale of their previous home for 29 percent, 11 percent came from a loan or gift from relatives and the remaining 12 percent said some combination of the other sources.

Visual #16
Source of Down Payment

Monthly Mortgage Payments

Respondents to the survey had a median monthly mortgage payment (including principal, interest, taxes and insurance) of $782. This is about $60 higher than reported by 1982 and 1983 homebuyers. Seventeen percent have mortgage payments less than $500 per month, 25 percent between $500 and $699, 35 percent between $700 and $999 and 23 percent greater than $1,000 per month.

Visual #17
Monthly Mortgage Payments

The number of children was the only homebuyer characteristic not related to monthly payment. In the previous homebuyer surveys, mobility status has not been significantly related. As income increases, the median monthly mortgage payment increases. Homebuyers with an annual family income of less than $30,000 spend an average of $525 per month for their mortgage payment. This increases to $675 for homebuyers with incomes between $30,000 and $39,999, to $868 for incomes between $40,000 and $49,999 and to $995 for incomes greater than $50,000.

The monthly mortgage payment is greater for previous homeowners than for first-time buyers ($877 to $659), greater for married than for unmarried homebuyers ($810 to $680), and greater for non-local than for local movers ($864 to $740). As age increased, the mortgage payment increased. Homebuyers less than 25 spend an average of $540 for the payment; this figure increases to $940 for homebuyers 50 or older.

Percent of Family Income Used for the House Payment

Visual #18
Percent of Income Used for House Payment

Homebuyers reported a 25 percent average of their family income spent for the house payment. This figure includes the household's income from all sources after taxes and deductions and represents a decline from a 30 percent average reported by 1983 homebuyers. Fifty-one percent used 25 percent or less of their income for the house payment. An additional 17 percent used 26 to 32 percent, and the remaining 32 percent used one-third or more.

Age was the only homebuyer characteristic significantly related to the percent of family income used for the house payment. Homebuyers who were 50 or older spent a smaller percent of their income for the house payment than others. These homebuyers paid more down on the average and many paid for their entire home in one payment.

Home Loan Obtained

The conventional fixed-rate and the adjustable rate home loans were the two most popular types. Both were used by 24 percent of homebuyers. The proportion using the conventional mortgage has been relatively constant over the years. However, the proportion using an adjustable rate mortgage has been steadily increasing, from 9 percent in 1982 to 17 percent in 1983. The adjustable rate mortgage is becoming increasingly accepted and popular.

Assumption of an existing loan was the third most popular with 15 percent of the buyers using this type. Both FHA and VA fixed-rate mortgages were used by 9 percent of the buyers, but these loans have decreased steadily over the years.

Three of the six variables--family income, prior home ownership and age--were significantly related to the type of loan obtained. Families with high

incomes were most likely to use conventional fixed-rate mortgages and adjustable rate mortgages. Lower income homebuyers were more likely to use FHA and VA loans.

First-time buyers were more likely than previous homeowners to use FHA loans and loans with graduated payments. Previous homeowners were more likely to assume an existing loan, to use an adjustable rate loan, or purchase the home with one payment. As homebuyers' age increased, they were more likely to assume an existing loan or purchase their home with one payment. Thirty-three percent of the homebuyers 50 years old or older purchased their home in one payment, compared to almost none of the younger homebuyers. Younger homebuyers were more likely than older homebuyers to use FHA loans and adjustable rate mortgages.

Source of Mortgage Loan

Visual #19
Source of Mortgage Loan

Fifty-five percent of the homebuyers obtained their loans from a mortgage company, and nearly all others obtained the mortgage loan from a bank or a savings-and-loan association. Five percent of the homebuyers financed their homes through the previous owner or builder, and 6 percent purchased their home with one payment.

Four homebuyer characteristics--age, prior home ownership, age and number of children--were significantly related to where the mortgage loan was obtained. Persons with family incomes between $30,000 and $50,000 were more likely than persons with incomes both above and below this range to obtain their loan from a mortgage company. Also, first-time buyers were more likely than previous homeowners to obtain their loan from a mortgage company, while previous homeowners were most likely to use a bank or a savings-and-loan association.

Fifty-five percent of homebuyers less than 25 obtained loans from a bank or a savings-and-loan. The majority of homebuyers between 25 and 49 obtained their loans from a mortgage company. Homebuyers aged 50 or more were nearly evenly split between a mortgage company, a bank or savings-and-loan association, and using no loan at all.

Families with three or more children were more likely than the others to obtain loans from a bank or a savings-and-loan association, while other homebuyers were more likely to go through a mortgage company.

Method of Purchasing a Home

Sixty percent of the homebuyers purchased homes through an agent or broker. This is down slightly from 1982 and 1983, when 62 percent purchased through an agent or broker. An additional 20 percent purchased directly from the previous owner, 16 percent purchased from the builder and 4 percent used some other method.

Visual #20
Method of Purchasing a Home

Non-local movers were more likely than local movers to go through an agent or broker (69 to 56 percent). Local movers were more likely to use the other approaches.

Time Spent Looking for a Home

The majority of homebuyers spent three months or less looking for a home. An additional 19 percent spent from four to six months and the remaining 20 percent looked for more than six months.

Visual #21
Time Spent Looking for a Home

Local movers generally take substantially longer to purchase a home than non-local movers. While 43 percent of the non-local movers spent one month or less looking, only 20 percent of the local movers purchased that quickly.

Number of Homes Seriously Considered

Some homebuyers reported they had not seriously considered any homes other than the one they purchased, while others considered 50 or more. Two or fewer other homes were considered by 29 percent of the homebuyers, 28 percent considered three or four, 26 percent considered five to 10 and 17 percent considered 11 or more.

Four homebuyer characteristics were significantly related to the number of homes considered. Marital status and the number of children were the two variables without a significant relationship to the number of homes considered. Lower-income families and first-time buyers typically considered fewer homes than higher-income families and previous home owners. Previous homeowners and families with higher incomes have more financial resources and there are more homes within their affordable range. Older homebuyers generally consider more homes than younger homebuyers and non-local movers more homes than local movers, meaning that the have a short but intensive search.

Visual #22
Number of Homes
Seriously considered

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Albrecht, Don E. A Profile of 1983 Texas Homebuyers. College Station: Texas Real Estate Research Center, 1985.

Harris, Jack C. Current Activity in Alternative Mortgage Instruments at Texas Savings-and-Loan Associations. College Station: Texas Real Estate Research Center, 1984.

Looff, Carolyn S. and Robert E. Spoerl. A Profile of Kentucky's Homebuyers and their Evaluation of the Real Estate Profession. Lexington, Kentucky: Kentucky Real Estate Research Center, 1983.

National Association of Realtors. National Homebuying Survey. Chicago: The Economics and Research Division, National Association of Realtors, 1981.

State Regions Used For Sample

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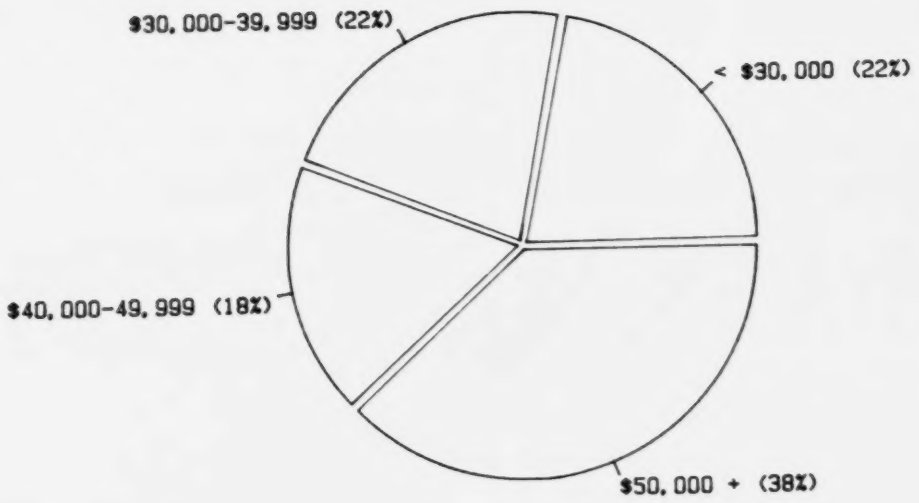
Texas A&M University
Visual No. 1

Income Distribution



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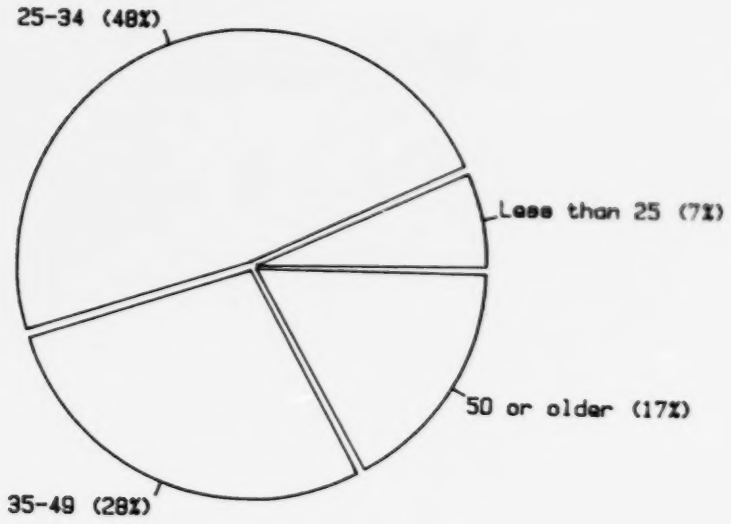
Visual No. 2

Age Distribution



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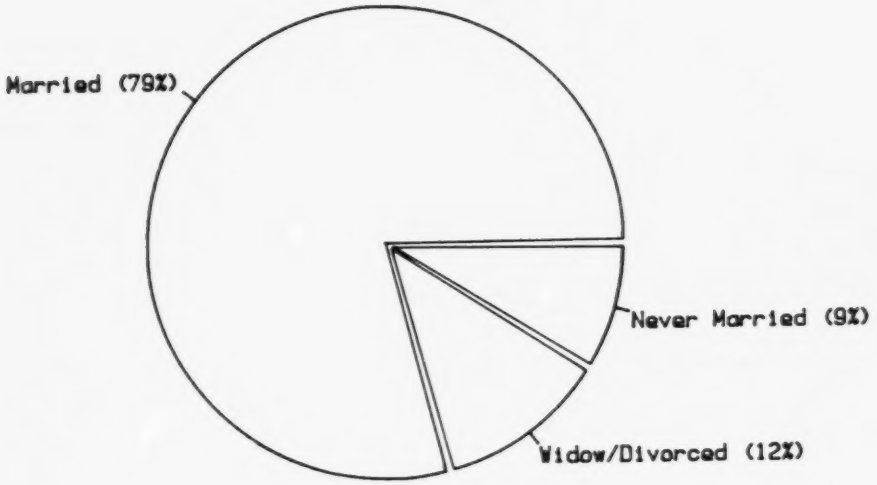
Visual No. 3

Marital Status



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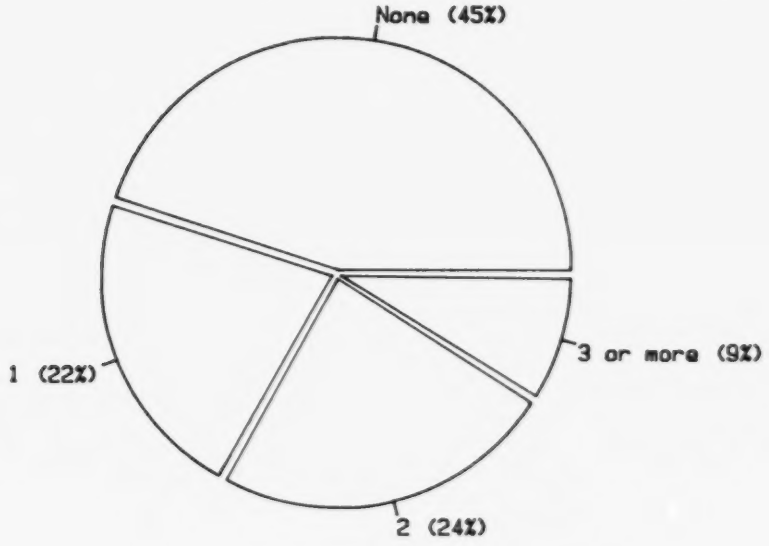
Visual No. 4

Number Of Children



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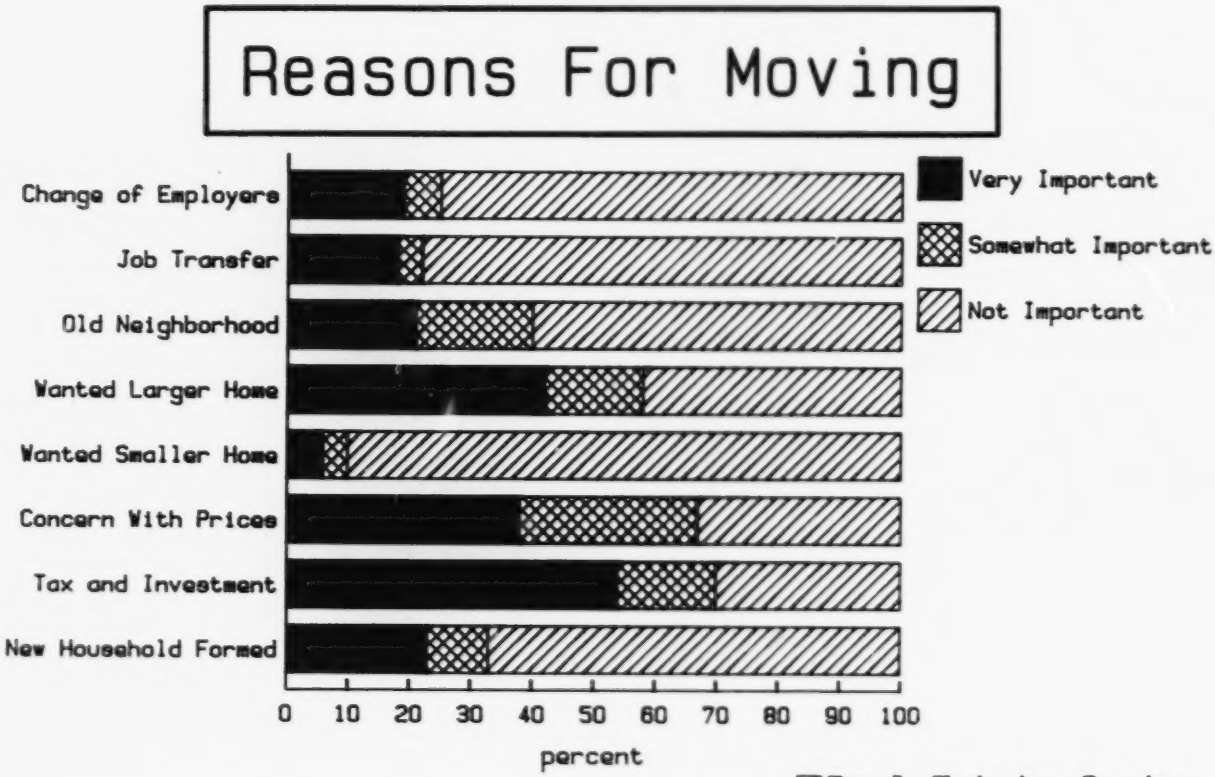
Visual No. 5



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Visual No. 6

Most Important Reason For Moving

Reason	Percent
Tax and Investment Advantages	22.1
Wanted a Larger Home	19.3
Job Transfer	17.5
A Change of Employers	13.4
New Household Formed	10.2
Not Satisfied with Previous Neighborhood	7.9
Concerned about Higher Prices	7.5
Wanted a Smaller Home	2.1

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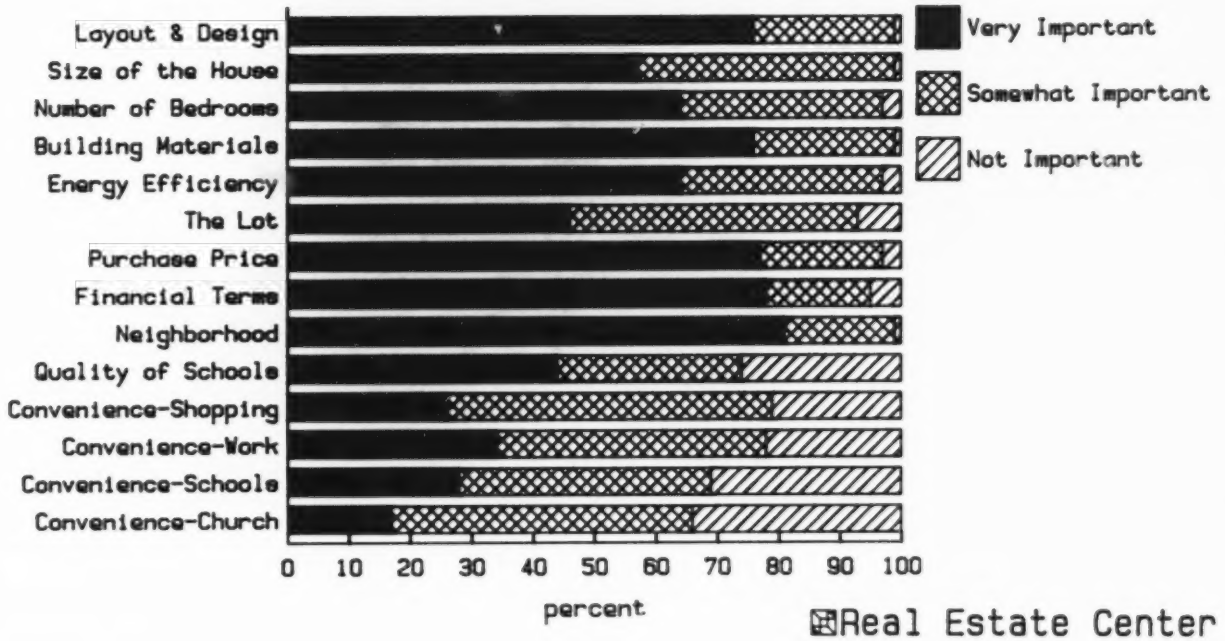
Visual No. 7

Important Factors In Home Selection



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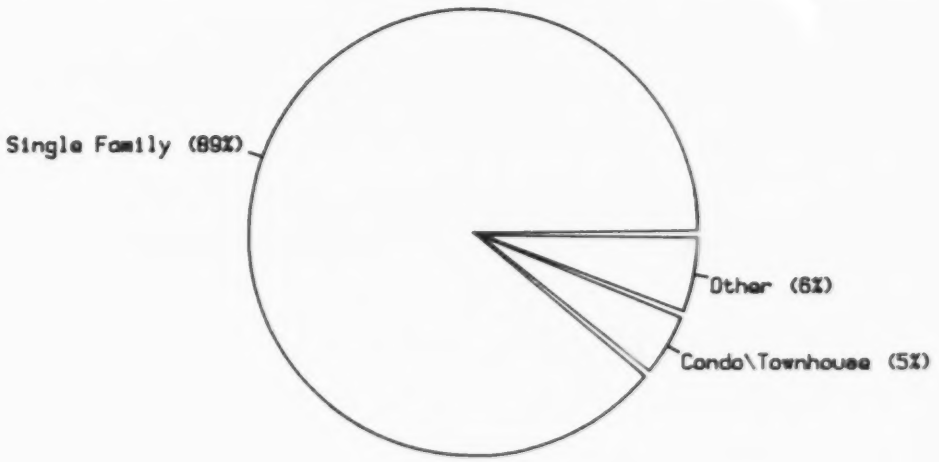
Visual No. 8

Type Of Home Purchased



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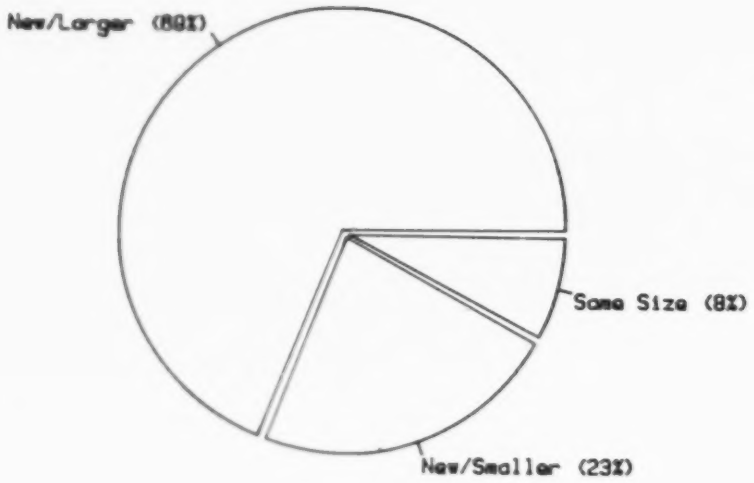
Visual No. 9

Comparison Of Home Size



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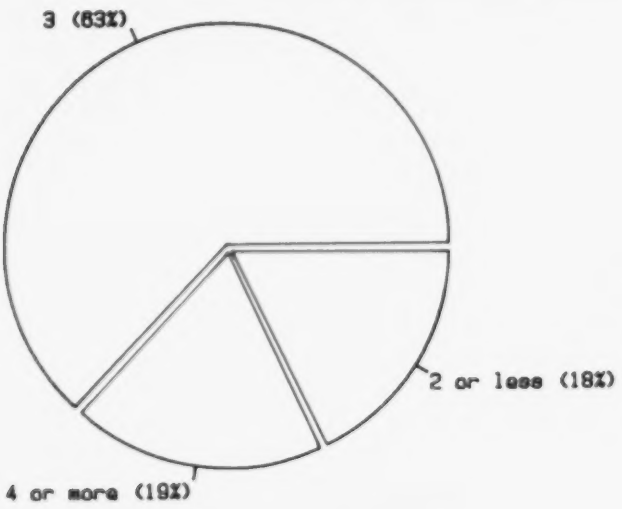
Visual No. 10

Number Of Bedrooms



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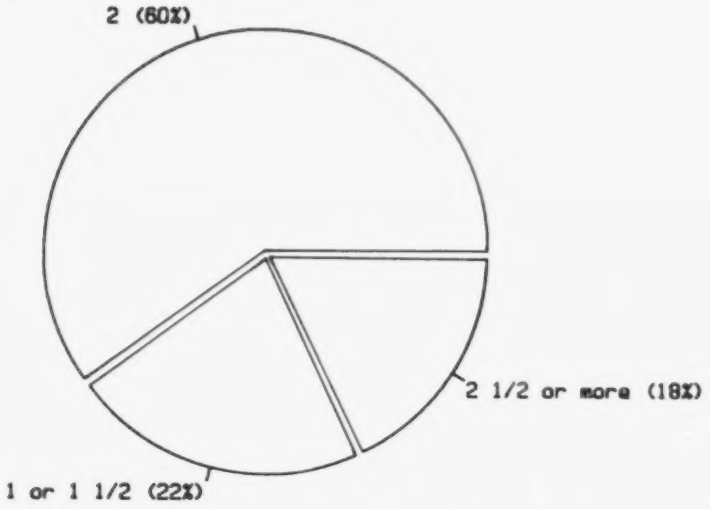
Visual No. 11

Number Of Bathrooms



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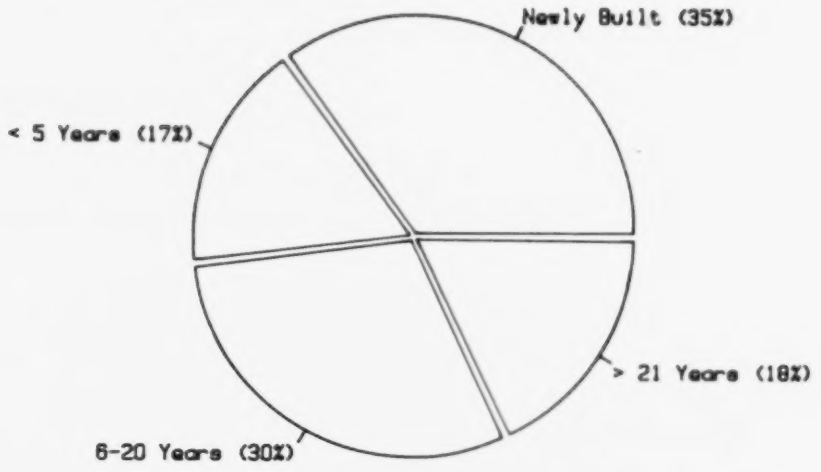
Visual No. 12

Age Of Home



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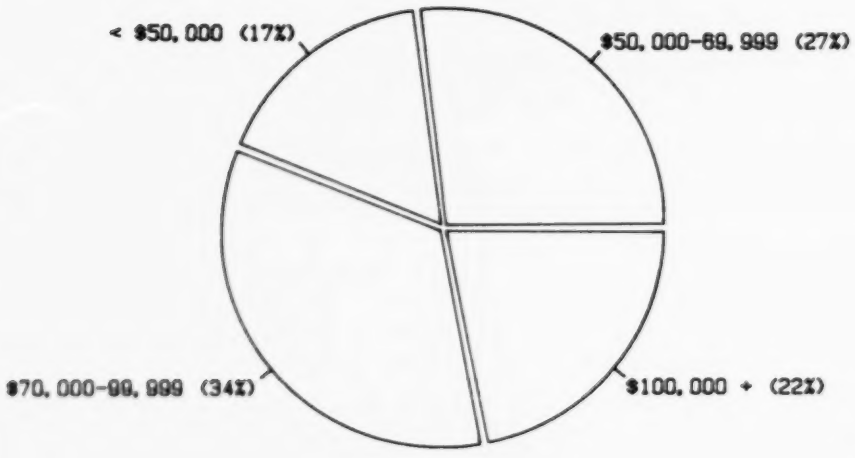
Visual No. 13

Cost Of Home



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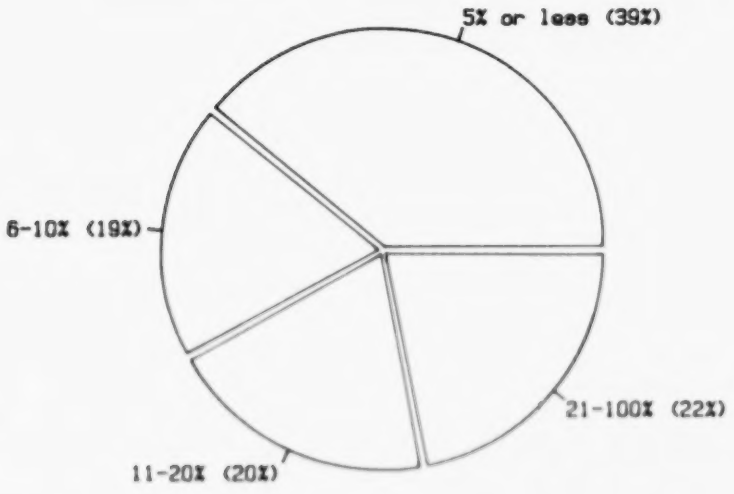
Visual No. 14

Down Payment



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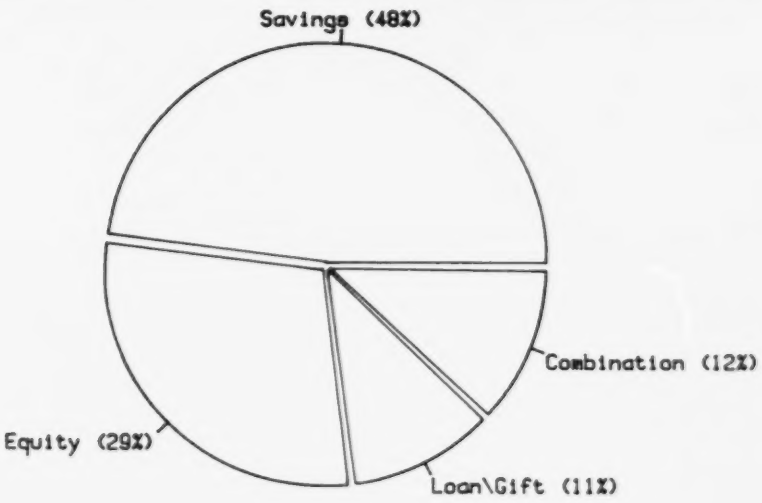
Visual No. 15

Source Of Down Payment



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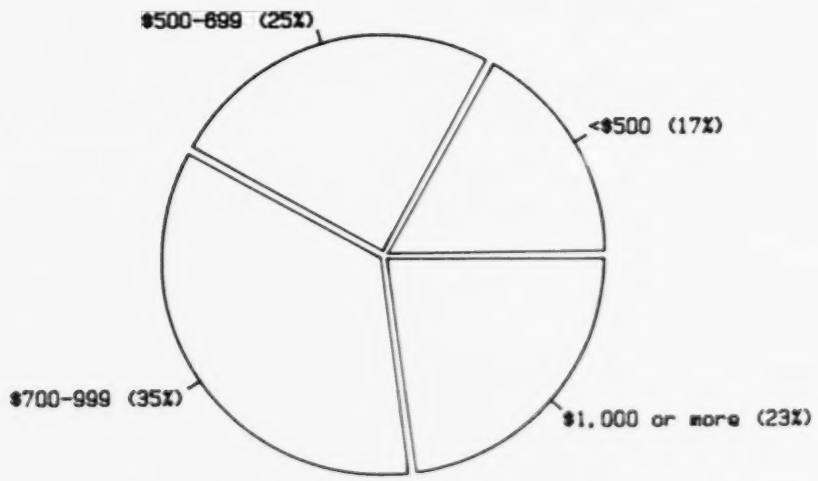
Visual No. 16

Monthly Mortgage Payments



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Visual No. 17

Percent Of Income Used For House Payment

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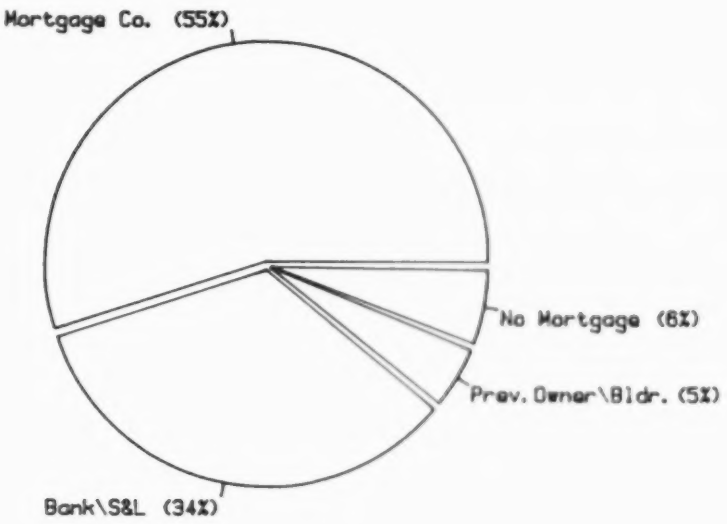
Visual No. 18

Source Of Mortgage Loan



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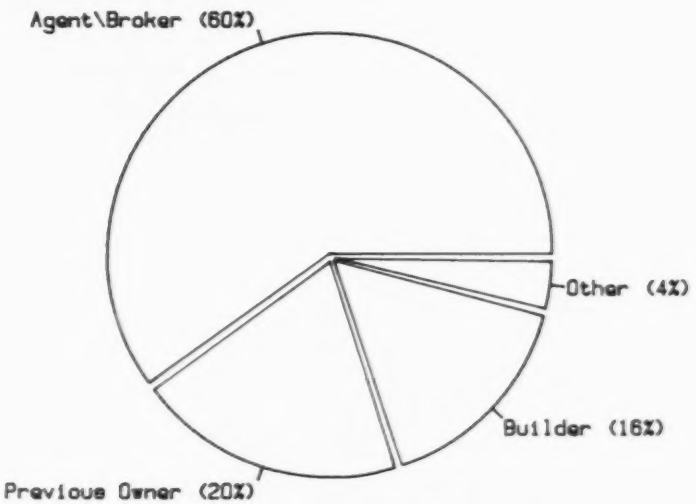
Visual No. 19

Method Of Purchasing A Home



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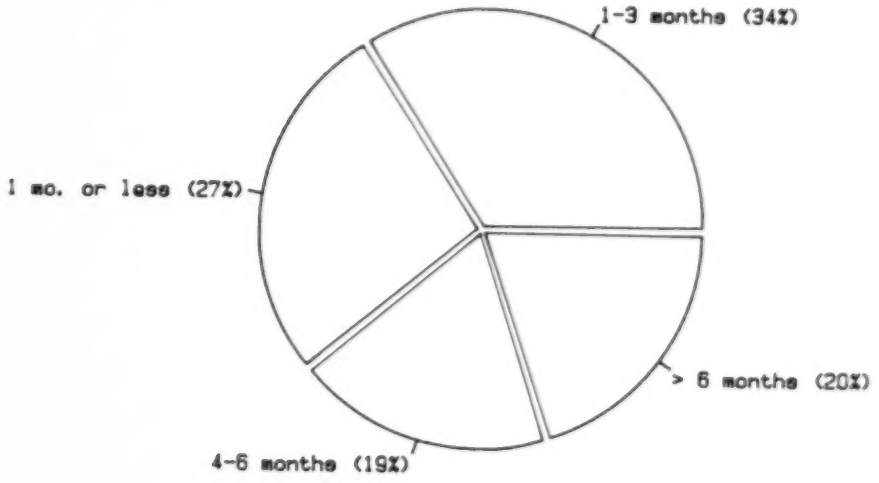
Visual No. 20

Time Spent Looking For A Home



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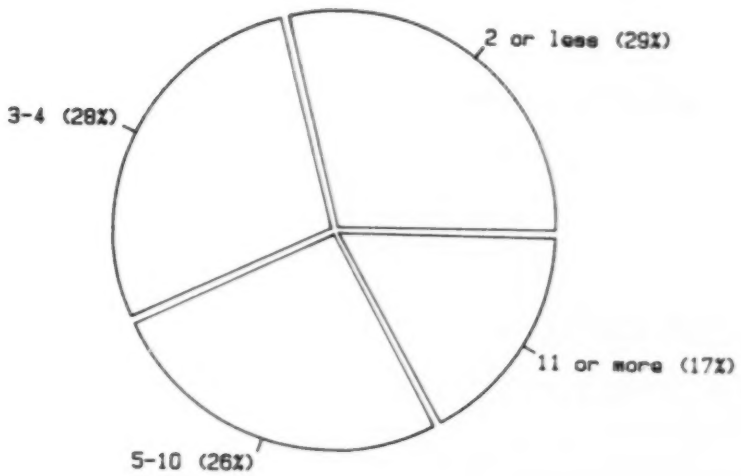
Visual No. 21

Number Of Homes Seriously Considered



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Visual No. 22

INSTRUCTORS EVALUATION

In order for the Texas Real Estate Research Center to be able to better assess the effectiveness of this packet, your input is requested. Please complete this form and return it to the address provided.

CONCEPT

1. What overall rating would you give this concept?

useless 1 2 3 4 5 6 7 8 9 10 invaluable

RATING THE ELEMENTS

2. How do you rate the elements of this TIP?

Content:

too general 1 2 3 4 5 6 7 8 9 10 too technical

Amount of material:

too little 1 2 3 4 5 6 7 8 9 10 too much

Format:

too simple 1 2 3 4 5 6 7 8 9 10 too complex

STRENGTHS AND WEAKNESSES

3. What were the strengths of the package? _____

_____

_____

_____

4. What were the weaknesses of the package? _____

_____

_____

SUGGESTIONS

5. What specific changes would you like to see in future TIPs?

_____

_____

6. What additional topics would you suggest for the TIP series?

a. _____ c. _____

b. _____ d. _____

EXPECTED USE

7. Do you expect using this packet in the next three months?

_____ yes _____ no

8. If you answered "yes" to question 7, to what classes will this material be presented?

_____

_____

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